PRESS RELEASE

Embargoed until 00:01 15 January 2019

RICH KIDS ESCAPE STUDENT FEE SYSTEM

The richest 10% of the 1 million+ UK-domiciled full-time and part-time students studying first degrees at English universities are likely to escape the student fee system by paying their fees up front, undermining successive government claims that the current system is progressive, according to latest available data (2016/17) obtained by the Intergenerational Foundation (www.if.org.uk).

Paying up front means that these 110,000 students avoid around £6,000 of interest while at university, unlike their peers who are currently charged 6.3% interest. This is more than four times the government's borrowing rate of 1.5%. Neither will these students have 9% of income over £25,000 a year for the next 30 years deducted from their pay packets. This puts self-funders at a serious economic advantage to fellow graduates in terms of saving power, spending power, and the ability to borrow to buy a home for many years after university.

The research tested the relationship between socio-economic status and undergraduate self-funding and found a particularly strong relationship within the Russell Group of universities, where non-state educated students account for 25.5% of students compared to 10.7% at other universities. Six Russell Group institutions have self-funding levels for full-time first degrees at more than twice the national average of around 7.5%: King's College London (20%), Cambridge (16%), Oxford (16%), University College London (14.5%), Imperial (14%) and LSE (14%).

"The current student loan system, while being clearly inter-generationally unfair, is also exacerbating intra-generational unfairness," says report author Rakib Ehsan. "Even though the number of self-funders has decreased dramatically since fees were increased to £3,000 and then trebled in 2012 by David Willetts, then Secretary of State for Education, wealthier families have realised that they can give their children a get-out-of-jail-free-card by helping them to escape sky-high interest rates and a 30-year loan that could be sold off to the private sector in the future."

President of the National Union of Students, Shakira Martin, "This report is more evidence that the current system is not fit for purpose. While wealthy students can avoid accruing debt and the high interest which comes with student loans, too many students from low income families grapple with a cost of living crisis and unaffordable housing. Wealthy students can focus on their studies, while too many poorer students work long hours to make ends meet."

Martin continues, “The Government’s claims that the higher education sector is a level playing field are nonsense, and the scrapping of maintenance grants means that in fact they’ve squarely placed the extra burden on the poorest in our society. The Augar Review must explore real tangible and radical changes to the system so that everybody has the same chance of entering and excelling in post-18 education.”

Angus Hanton, IF Co-founder, comments, “This analysis makes a mockery of claims that the current system is progressive, since the wealthiest kids are not even in the system. The government should treat all students fairly and that means reducing the interest rates charged while at university, reducing fees, re-introducing maintenance grants, and lowering the repayment rate so the average young person does not face a marginal tax rate of more than 40% for the next 30 years of their lives.”

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Note to editors:

- Figures based on Higher Education Statistics Agency (HESA) data for 2016/17 for “first degree” (bachelor) full-time and part-time domestic students eligible for student loan finance at English universities
- There were 1.083 million UK-domiciled undergraduate students pursuing first degrees in 2016/17, including 129,220 part-time students. 10.21% were self-funding full-time or part-time courses, with 71,845 (7.53%) of these students studying full-time
- HESA classification of financial self-funders: “No award or financial backing”, which excludes any armed forces scholarships, NHS bursaries or other sponsored students
- HESA data: 90% of all full-time first degree undergraduate students are aged under 25 years of age
- Five English institutions were removed from the HESA dataset because they appeared to have unusually high percentages of self-funders, which appears to be incorrect data: The University of East London, Middlesex University, Queen Mary, Roehampton and St Mary’s University.
- The student loan interest rate is based on the RPI of the previous March +3%
- If you include all students at English universities studying undergraduate qualifications, not just bachelor degrees, the incidence of self-funding increases to 15%